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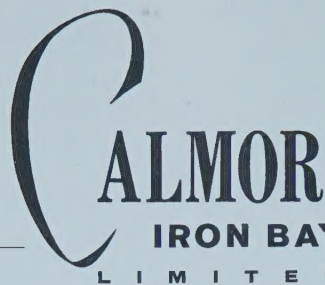
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ANNUAL
REPORT

1971

CALMOR
IRON BAY MINES
LIMITED

FOR THE YEAR ENDED DECEMBER 31, 1971



IRON BAY MINES

L I M I T E D

DIRECTORS

A. C. MOSHER - - - - - Toronto, Ontario
C. R. ELLIOTT - - - - - Bowmanville, Ontario
M. P. CONNELL - - - - - Toronto, Ontario

OFFICERS

A. C. MOSHER - - - - - President
D. B. MacDERMOTT - - - - - Secretary
J. C. LAMACRAFT - - - - - Treasurer

HEAD OFFICE

TENTH FLOOR, 85 RICHMOND STREET WEST
Toronto, Ontario

**TRANSFER AGENT
AND REGISTRAR**

MONTREAL TRUST COMPANY
Toronto, Ontario

AUDITORS

RIDDELL, STEAD & Co.
Toronto, Ontario

BANKERS

THE ROYAL BANK OF CANADA
Toronto, Ontario

SOLICITOR

D. B. MACDERMOTT
Toronto, Ontario

ANNUAL MEETING

March 3, 1972, 10:00 A.M.
Nova Scotia Room, Royal York Hotel
Toronto, Ontario





President's Report

To the Shareholders,
CALMOR IRON BAY MINES LIMITED:

Your directors submit herewith for your consideration the financial statements of the Company as at December 31, 1971 and your auditors' report thereon.

Royalties from The Griffith Mine during 1971 amounted to \$151,535. The Agreement between your Company and The Steel Company of Canada, Limited provides for escalation of the royalty rate proportionately with increases in the price of iron ore pellets. Accordingly, the royalty received for 1971 was 11.11 cents per ton, compared with 10.56 cents per ton for 1970.

The Company continues to hold its interest, with two associated Companies, in 18 mining claims in the Sturgeon Lake Area, Patricia Mining Division, Province of Ontario. The claims are in two blocks of nine claims each, about seven miles west of Mattabi Mines Limited, where an important base metal mine is being brought into production. Geophysical work and diamond drilling were carried out on nine of the mining claims during 1970. In March, 1971 ground geophysical surveys, conducted over the remaining claims, located a conductor zone which was tested by one diamond drill hole, drilled to a depth of 839 feet. No significant mineralization was encountered.

An option agreement was completed with Selco Exploration Company Limited covering 271 mining claims approximately nine miles northeast of Mattabi Mines Limited. Encouraging results were obtained from an airborne geophysical survey. Line-cutting and ground geophysical work was carried out to evaluate the conductors. Four of the conductors were diamond drilled during the latter part of the year by light equipment, where the overburden was shallow. There are several conductors yet to be drilled this winter, after the ice is safe for landing of planes. Larger drills will be employed in this drilling program. Your Company holds a 40% interest in the venture, and Selco, who is in charge of exploration, holds a 60% interest.

As previously reported to you, an option agreement was entered into with other companies during 1971 covering mining claims in Maisonville Township, Larder Lake Mining Division, Ontario. In January of this year three diamond drill holes were completed for a total of 1,200 feet. As the results were negative, no further action will be taken and the option will be allowed to lapse.

GENERAL EXPLORATION

As set out in a report to you dated December 29, 1971, a copy of which is attached hereto for your convenience, your Company is participating in an exploration joint venture with Conwest Exploration Company Limited, effective January 1, 1972, and will have a 13⅓% interest in any mineral properties acquired. Conwest's staff have developed an active program for 1972.

On behalf of the Board,

A. C. MOSHER,
President.

January 27, 1972.

CALMOR IRON BAY MINES LIMITED

SUITE 1000 - 11 KING STREET WEST
TORONTO 1, ONTARIO

December 29, 1971.

To the Shareholders of Calmor Iron Bay Mines Limited:

For some considerable time your board of directors has been concerned about the continuity of management of your company's operations in the future. As you are aware, I have been providing the exploration direction for this company's activities for the past seventeen years and, while I have no plans to retire from active participation in the affairs of your company, I have always felt it to be in the best interests of the shareholders to ensure that the affairs of this company would be maintained and pursued in a proper manner.

On December 10, 1971, Conwest Exploration Company Limited and its associated company, Central Patricia Gold Mines Limited, acquired effective control of Chimo Gold Mines Limited, which in turn effectively controls Calmor.

On December 13, 1971, at a board of directors meeting of your company, Mr. D. W. Falconer and Mr. D. J. Hains, both members of the board of directors, tendered their resignations. Both of these gentlemen have contributed greatly to the accomplishments of your company and have provided a long and valuable service to the board. Immediately following their resignations, Mr. C. R. Elliott, President of Conwest Exploration Company Limited, and Mr. M. P. Connell, Executive Vice-President of Conwest, were elected as nominees of Conwest to fill the vacancies created. I will myself remain as a director and as the President of your company. At that meeting, the board of directors approved an Agreement to enter into a joint venture mining exploration programme with Conwest. From January 1, 1972, Conwest will manage this new exploration venture and Calmor will participate to the extent of 13 $\frac{1}{3}$ % in any exploration activity undertaken by Conwest from that period forward and in return will acquire a 13 $\frac{1}{3}$ % interest in any interest acquired by Conwest in mineral properties.

I am pleased and optimistic about the relationship that has been made with Conwest as it will provide the management of this company with ongoing continuity and will assure our shareholders that their company's activities as an exploration company will be continued under good, experienced management.

Conwest Exploration Company Limited has been active in the mining exploration business in Canada since 1939 but its history goes beyond that, for Mr. F. M. Connell and his brother, Mr. W. H. Connell, the founders of Conwest, have been active in mineral exploration since the early 1900's. Conwest is a well known and highly regarded Canadian exploration company and has many notable successes in its history. The consolidation of the various silver-lead properties near Mayo in the Yukon Territory resulted in the formation of the United Keno Hill Mines which was successfully managed by Conwest until 1960 and still operates under the direction of Falconbridge. Cassiar Asbestos Corporation Limited was formed in 1951 to acquire mineral claims that had been optioned by Conwest in 1950. The history of Cassiar is well known and this growing producer of quality asbestos fibres is among the leaders of the worldwide asbestos industry. In more recent years, Conwest has participated in a variety of successful exploration ventures including the development of the important lead-zinc orebodies of Pyramid Mines Ltd. at Pine Point; the discovery and development of the Madeleine Mine in Gaspé through participation in Frobex Ltd.; and the financing of the Poseidon property in Australia.

Conwest has developed an able, experienced, and aggressive exploration team and I have every confidence in their capabilities to manage your company's exploration activities. It will bring assured continuity of management to your company and a wealth of experience in addition to its well known qualities of flexibility and aggressiveness in mineral exploration.

Those properties which were held by Calmor prior to December 31, 1971 will *not* be subject to the Joint Venture Exploration Agreement and it will be the intention of your company to pursue diligently the exploration of those properties that were still in the process of evaluation at the end of the year.

The conducting of competitive mining exploration business has become increasingly more costly in recent years while the chances of locating new finds have become more difficult. I feel that in the long run it is in the best interests of the shareholders to enjoy the wider degree of exposure that this relationship will give to us, and that with the assurance of continuing quality management we can look forward to an exciting future.

A. C. MOSHER, President,
Calmor Iron Bay Mines Limited.



BALANCE SHEET AS AT DECEMBER 31, 1971

ASSETS

CURRENT	1971	1970
Cash	\$ 42,019	1,228
Royalty receivable	36,527	38,826
Accounts receivable	560	500
	<u>79,106</u>	<u>40,554</u>
INVESTMENT IN ASSOCIATED COMPANIES, at cost (Note 2)	<u>456,349</u>	<u>456,349</u>
 MINING ASSETS (Notes 1 and 3)		
Producing mining property less accumulated amortization of \$92,368 (1970 — \$62,452)	894,813	924,729
Other mining properties at cost and expenditures thereon	25,992	4,392
	<u>920,805</u>	<u>929,121</u>
	<u>\$1,456,260</u>	<u>1,426,024</u>

LIABILITIES

CURRENT	1971	1970
Bank loan (secured)	\$ —	55,000
Accounts payable	10,973	7,877
	<u>10,973</u>	<u>62,877</u>

SHAREHOLDERS' EQUITY

CAPITAL STOCK	1971	1970
Authorized		
3,000,000 shares of no par value		
Issued		
2,560,005 shares	1,369,393	1,369,393
RETAINED EARNINGS (DEFICIT) (Note 1)	75,894	(6,246)
	<u>1,445,287</u>	<u>1,363,147</u>
	<u>\$1,456,260</u>	<u>1,426,024</u>

On behalf of the Board:

A. C. MOSHER, Director.

C. R. ELLIOTT, Director.

AUDITORS' REPORT

To the Shareholders
Calmor Iron Bay Mines Limited

We have examined the balance sheet of Calmor Iron Bay Mines Limited as at December 31, 1971 and the statements of income and retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the company as at December 31, 1971 and the results of its operations and the source and application of its funds for the year then ended, in accordance with generally accepted accounting principles which, except for the change in the method of accounting for mining properties and expenditures thereon, as described in Note 1, were applied on a basis consistent with that of the preceding year.

Toronto, Ontario
January 21, 1972

RIDDELL, STEAD & Co.
Chartered Accountants



STATEMENT OF INCOME AND RETAINED EARNINGS

For the Year Ended December 31, 1971

INCOME	1971	1970
Royalties	\$ 151,535	151,157
Interest	428	—
	<u>151,963</u>	<u>151,157</u>
 EXPENSES		
Administrative and corporate	35,607	37,741
Amortization of producing mining property	29,916	31,413
General exploration together with the cost of properties abandoned during the year including exploration and development thereon	4,300	28,865
	<u>69,823</u>	<u>98,019</u>
NET INCOME (Notes 1 and 4)	<u>82,140</u>	<u>53,138</u>
Deficit at beginning of year		
As previously reported	10,638	68,594
Adjustments re mining properties and related expenditures (Note 1)	4,392	9,210
As restated	<u>6,246</u>	<u>59,384</u>
RETAINED EARNINGS (DEFICIT) AT END OF YEAR	<u>\$ 75,894</u>	<u>(6,246)</u>

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

For the Year Ended December 31, 1971

SOURCE OF FUNDS	1971	1970
Royalties and interest	\$ 151,963	151,157
 APPLICATION OF FUNDS		
Purchase of shares of associated company	—	34,428
Expended upon exploration and development of mining properties including general exploration	25,900	24,047
Administrative and corporate expenses	35,607	37,741
	<u>61,507</u>	<u>96,216</u>
INCREASE IN WORKING CAPITAL	90,456	54,941
Working capital deficiency at beginning of year	22,323	77,264
WORKING CAPITAL (DEFICIENCY) AT END OF YEAR	<u>\$ 68,133</u>	<u>(22,323)</u>

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 1971

1. CHANGE IN ACCOUNTING POLICIES

In prior years the costs of acquisition of mining properties and expenditures thereon were written off with general exploration expenditures. During the year the company adopted the policy of writing off all general exploration expenditures incurred during the year and capitalizing the cost of acquisition of mining properties, including expenditures thereon, which were in good standing at the year end. On abandonment of such properties the cost and expenditures thereon are reflected in the statement of income and retained earnings. The effect of this change was to increase income in 1971 by \$21,600. The balance of deficit as at December 31, 1970 has been restated from the amount previously reported to show a retroactive charge of \$9,210 representing the cost of acquisition and expenditures thereon of mining properties in good standing at January 1, 1970. The result of this retroactive change in accounting policy on the statement of income for the year ended December 31, 1970 is to decrease income by \$4,818.

2. INVESTMENTS

Investments in associated companies consist of the following:

500,000 shares (14.8% interest) of Chimo Gold Mines Limited, at cost (quoted market \$560,000)	\$ 435,130
287,500 shares (29.4% interest) of Nakina Mines Limited, at cost (no quoted market)	21,219
	<u>\$ 456,349</u>

3. MINING ASSETS

The producing mining property consists of a 20% interest in 123 mining claims in the Bruce Lake area, District of Kenora, recorded at the value appraised by A. H. Ross & Associates on July 20, 1966. The basis of the valuation was an appraisal of the present value of the anticipated net income from royalties to be received pursuant to the property lease.

The property is leased to The Steel Company of Canada, Limited until April 30, 2040 and the company receives a royalty of 11.112 cents per ton based on quantities of iron ore pellets produced and shipped from the mine. The royalty rate is subject to change in proportion to changes in the prevailing Cleveland market price for Lake Superior District iron ore pellets. The property is being amortized on the unit of production basis at the rate of 2.1937 cents per ton.

4. INCOME TAXES

No provision for taxes is required because the company is in the three year tax exempt period as provided by the Income Tax Act. The exemption covers the period December 1, 1969 to November 30, 1972. As at December 31, 1971 the company had exploration and development expenditures available to apply against otherwise taxable income of future years.

5. EXECUTIVE REMUNERATION

The aggregate remuneration paid to the directors and senior officers of the company (as defined by the Business Corporations Act, 1970) amounted to \$23,870 (1970 — \$20,774).



INTERIM STATEMENT OF INCOME AND EARNED SURPLUS

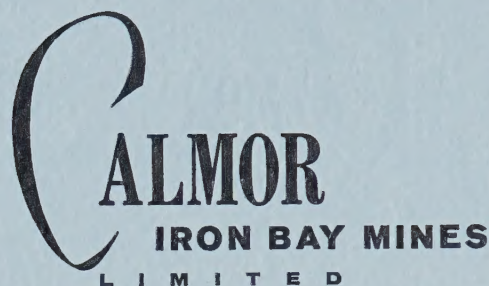
For the six months ended June 30, 1971

Revenue	1971	1970
Royalties	\$ 75,957	76,849
Expenses		
Exploration	11,999	13,149
Administrative and corporate	19,139	19,768
Amortization of mining prop- erty	14,995	15,970
	46,133	48,887
Net Income	29,824	27,962
Deficit at beginning of year ..	10,638	68,594
Earned Surplus (Deficit) at End of Period	\$ 19,186	(40,632)

INTERIM STATEMENT OF SOURCE AND APPLICATION OF FUNDS

For the six months ended June 30, 1971

Source of Funds	1971	1970
Net income	\$ 29,824	27,962
Amortization of mining prop- erty	14,995	15,970
	44,819	43,932
Application of Funds		
Purchase of shares of asso- ciated company	—	34,427
Increase in Working Capital ..	44,819	9,505
Working capital deficiency at beginning of year	22,323	77,264
Working Capital (Deficiency) at End of Period	\$ 22,496	(67,759)



INTERIM

report

FOR THE SIX MONTHS

ENDED JUNE 30, 1971



HEAD OFFICE

SUITE 1000, MONTREAL TRUST TOWER
11 KING STREET WEST, TORONTO, ONT.





To the Shareholders:

We are pleased to submit an interim financial statement to June 30, 1971, together with a progress report summarizing exploration activities and developments since those reviewed in the Annual Report.

The Company continues to hold its interest, with two associated Companies, in 18 mining claims in the Sturgeon Lake Area, Patricia Mining Division, Province of Ontario. The claims are in two blocks of nine claims each, about seven miles west of Mattabi Mines Limited, where an important base metal mine is being brought into production. Geophysical work and diamond drilling were carried out on nine of the mining claims during 1970. In March of this year, ground geophysical surveys, conducted over the remaining claims, located a conductor zone which was tested by diamond drilling. One hole, sunk to a depth of 839 feet to test the conductor, encountered no significant mineralization. Should work performed on adjacent holdings prove of interest, further investigation of the claims would be warranted.

An option agreement has been completed with Selco Exploration Company Limited covering 271 mining claims approximately nine miles northeast of Mattabi Mines Limited. Encouraging results were obtained from an airborne geophysical survey, and line-cutting and ground geophysical work will be carried out to evaluate the conductors. Your

Company holds a 40% interest in the venture, and Selco, who holds a 60% interest, is in charge of exploration.

A 30% interest has been acquired in 30 contiguous mining claims in Maisonville Township, Larder Lake Mining Division, Ontario. Ten of the mining claims are under option from Hudson Bay Mines Limited and 20 claims, which were subsequently staked, also form part of the Option Agreement. Two promising conductive zones, located by a previous geophysical survey, will be diamond drilled this winter. Chimo Gold Mines Limited holds a 60% interest in the project and Lake-Osu Mines Limited 10%.

Royalty revenue from production of The Griffith Mine for the six months ended June 30, 1971, was \$75,957 from the shipment of 683,560 tons of iron ore pellets. The corresponding 1970 figures are \$76,849 from 728,017 tons of pellets. The royalty rate escalated to 11.11 cents per ton from 10.56 cents due to an increase in the price of pellets effective January 1, 1971.

A. C. MOSHER,
President.

August 16, 1971.